

No. 11940.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

LANE BRYANT, INC.,

Appellant,

vs.

MATERNITY LANE LTD., OF CALIFORNIA, a corporation,
JACK LANE, JR., JANE LANE and LUCILLE LANE,

Appellees.

REPLY BRIEF FOR APPELLANT.

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REPLY BRIEF FOR APPELLANT.

I.

Introduction.

We are concerned with a judgment dismissing (for failure to state a claim upon which relief can be granted) a complaint alleging an attempt to pass off appellees' goods as those of appellant. The method used, as set out in the complaint, was the adoption of the name "Maternity Lane," thus combining the word "Lane," a part of appellant's name, with the word "Maternity," which, in conjunction with "Lane Bryant," has been constantly used in appellant's advertising, and which is closely associated in the public mind with appellant. Other similarities of advertising phrases and script are alleged, and all are

alleged to have been the means of intentional deception. By this judgment appellant is denied the opportunity to place this conduct in its actual context, as can be done only by a trial, so that the truth and significance of appellant's allegations of fraud or, in the alternative, of probable confusion of the public, can be ascertained. No more drastic judgment can be imagined.

The reasons for a judgment which denies a party its day of trial should be very good. It has many times been observed, therefore, that on a motion for dismissal every inference is drawn in favor of the pleader. (*Abel v. Munro* (C. C. A. 2d), 110 F. 2d 647.) A litigant is not to be denied the opportunity to prove his case for any light or uncertain reason.

In their brief, appellees do not, as we might expect if clear reason existed for the dismissal, proceed promptly to state such reason. Appellees give primacy of place in their brief to the question whether the trial court properly denied an interlocutory injunction, a question which arises only if it be first assumed that the judgment of dismissal is incorrect. When appellees do approach the subject of the dismissal, appellees first defend the use of affidavits by the court, asserting various reasons why they might be considered, and second, argue that the complaint taken alone is inadequate, on the theory that appellant's allegations of fraud are immaterial, the advertising phrases in the public domain, and the only issue that of similarity of names, allegedly a pure question of law. But appellees' contention that the affidavits might be considered does not assist them, unless their second contention, that fraud is immaterial, is also sound. Appellant's pleadings and af-

fidavits contradict appellees' affidavit on this issue, and certainly therefore this issue would require trial. Even on motion for summary judgment, the court is not authorized to resolve conflicts between affidavits, or pleadings and affidavits, but must hold such issues for trial.

That there was an issue of fraud, and that it was material, is admitted by appellees in discussing the preliminary injunction. Thus, at page 12 they state:

"The issue of whether or not the appellees intended or attempted to pass themselves off as appellant was before the trial court in the form of contradictory affidavits filed by the respective parties."

And again at pages 13-14 appellees state:

" . . . While it is true that positive proof of bad faith is not necessary to establish a cause of action for unfair competition if the conduct complained of is likely to mislead and cause confusion among members of the public, the question of the defendant's good faith is an important issue upon a motion for preliminary injunction. Moreover, the recent decision of this Court in the case of *Lerner Stores Corp. v. Lerner*, 162 F. 2d 160, indicates that this Court placed great importance upon the acts of the defendant evidencing his good faith." (Citations omitted.)

Lerner Stores Corp. v. Lerner, supra, is concerned with the final judgment, and not a ruling on application for preliminary injunction. Nevertheless, when appellees were making these observations, they were discussing the preliminary injunction, and we assume that these remarks were intended to refer to the preliminary injunction only, since the last ten pages of appellees' brief deny

that fraud is material. This is, however, a hopeless inconsistency, for a preliminary injunction cannot be granted by reason of facts which do not give rise to any right at all to injunctive relief, and if fraud were material on the application for preliminary injunction, it was necessarily material on the motion to dismiss. There is, therefore, on this issue a fundamental conflict between pages 11 through 15 of appellees' brief, as opposed to pages 33 through 40 thereof. We shall attempt herein to vindicate appellees' noble beginning as opposed to their dismal termination.

II.

The Complaint Stated a Cause of Action.

(a) Appellees' Argument Is That Similarity of Names Is the Sole Test; and That Similarity Must Be Determined Out of the Context of Conduct. This Is Unsound.

Appellees' contention that the complaint states no cause of action is based on the proposition that the sole issue raised is: "Is the name 'Maternity Lane' in any way similar to 'Lane Bryant'?" (Appellees' Br. p. 33.) This, of course, is a complete reversal of the position taken by appellees on the application for preliminary injunction, where appellees treated the matter of similarity as merely evidentiary of bad faith, thus stating (Appellees' Br., p. 14): "Conversely, it would follow that where the facts indicate that a purchaser, exercising ordinary care, would not be likely to be deceived, it may be assumed that the defendant has not acted in bad faith." In so reversing their position, appellees apparently contend that the names alone must be considered, without reference to the context of conduct,—the similarity of advertising, and the other

significant circumstances. (See Appellees' Br. pp. 17, 36.) But similarity is only one aspect of the prime alternative questions of fraud and danger of deception; and in determining these questions *all* of appellees' conduct may be considered.

(b) Under California Law, Conduct Intended to Deceive or Conduct Having a High Probability of Deception May Be Enjoined; Similarity Is Evidentiary Only on Both These Points.

The California cases, which all parties concede are binding on the unfair competition phase of this case, have many times allowed relief on the basis of allegations of fraud, and have explicitly stated that fraud is the essence of a cause of action for unfair competition. (See the authorities cited on pages 13 through 16 of appellant's opening brief.)

In *Modesto Creamery v. Stanislaus etc. Co.*, 168 Cal. 289, 293; 142 Pac. 845, 846:

" . . . The right of action in such a case arises from the fraudulent purpose and conduct of the defendant and the injury caused to the plaintiffs thereby, and it exists independently of the law of regulating trademarks or of the ownership of such trademark by the plaintiffs. *The gist of such an action is not the appropriation and use of another's trademark, but the fraudulent injury to and appropriation of another's trade.*" (Emphasis added.)

This quotation is expanded more fully at pages 15 and 16 of appellant's opening brief.

So far as this branch of law is concerned, not only is it incorrect to say that similarity is the issue (for the cases

explicitly state that fraud is the issue), but the cases have flatly held that similarity alone does not support an action where fraud is absent.

Dunston v. Los Angeles Van etc. Co., 165 Cal. 89;
American Automobile Assn. v. American Automobile Owners Assn., 216 Cal. 125; 13 P. 2d 707.

In respect to the many cases holding fraud to be the issue, cited at pages 11 through 22 of appellant's opening brief, appellees have had naught to say, save to tabulate the names involved in those cases and to argue that the similarity in those cases was greater than the similarity here. But the decisions of the state courts are entitled to respect with regard to the rule they state, as well as to the facts on which they rule. Those cases state without equivocation that fraud is the primary basis for relief.

From one of those cases only, *Italian-Swiss Colony v. I. Vineyard Co.*, 158 Cal. 252, 256; 110 Pac. 913 (at page 38 of their brief) appellees have quoted a paragraph to the effect that if intent to deceive, and deception in fact is proved, a case is made out, which appellees suggest supports their contention that the degree of similarity is the only issue. As we read that case, it states two alternative bases for relief—that of fraud, and that of danger of deception, for prior to the language quoted by appellees there appears the language appellant has quoted, that "There must be the intent to deceive, *or* at least the doing of things reasonably likely to deceive."

Degree of similarity can hardly be the only test when, as we have seen, the later cases plainly hold that similarity in itself gives no basis for relief.

The single California case on which appellees rely (it must always be remembered that the unfair competition phase of the case is to be decided by California law), *Scudder v. Ginsberg*, 21 Cal. 2d 596, is not in point. As appears from the following initial statement of the court in that case, the problem with which we are concerned was not present (pp. 598, 599):

“Before proceeding further it should be noted that the foregoing pleading does not even purport to allege that either party had a trademark nor that a trademark has been infringed. *Sun-Maid Raisin Growers v. Mosesian*, 84 Cal. App. 485 (258 P. 630), and cases there cited, need not be discussed. Nor is it claimed that the trade name of a store or the proprietor has been pirated. It is therefore patent that *American Automobile Assn. v. American Automobile O. Assn.*, 216 Cal. 125 (13 P. 2d, 707, 83 A. L. R. 699), and cases there cited, need not be dwelt upon. Nor is any attempt made by the plaintiff to allege that it was the first in the field of action to use a specific trade name and had built up an established trade thereunder and that the defendants were newcomers who have attempted, and are now attempting, to pirate the plaintiff's trade name and established trade. It follows that the case entitled *Weinstock, Lubin & Co. v. Marks*, 109 Cal. 529 (42 P. 142, 50 Am. St. Rep. 57, 30 L. R. A. 182), is not necessarily controlling.”

The significance of this paragraph, distinguishing all cases involving pirating of trade names is this: In the cases involving simply allegations of simulation of labels, like the *Scudder* case, the California courts have often confined themselves rather strictly to considering alone

whether the resemblance between the labels is such as to cause confusion. (See *Scudder v. Ginsberg*, *supra*, and the cases therein cited, particularly, *So. Cal. F. Co. v. White Star C. Co.*, 45 Cal. App. 426.) But, on the other hand, where piracy by the use of trade names and related conduct is concerned, the courts, instead of confining themselves to considering similarity alone, have held that similarity alone is insufficient and is merely evidentiary on the fundamental question of fraud. The cases we have cited before are clear on this proposition. The *Scudder* case, as we have said, is therefore, not in point.

(c) The Danger of Confusion Is Apparent Anyway.

As we have pointed out, mere similarity of names in this state does not support a cause of action: it is the use of the names as the means of fraud that counts. It is also true, however, as we have pointed out at pages 25 through 28 of appellant's opening brief, that California Courts will allow relief alternatively if there is a similarity of names such as would probably cause confusion by the "*ordinary unsuspecting person*." There the ultimate fact is the danger of confusion, not the fraud.

In a prominent portion of the names of both appellant and appellees is the word "Lane." Appellees attempt to avoid the significance of this fact by pointing out that although "Lane" is the name of the organizers of appellees' business, it is used in the sense of a place rather than as part of a name. The difficulty with this argument is that it is coupled with "Maternity," a word describing the type of goods carried, not a place, and the word "Maternity" is used likewise in connection with appellant's

line of goods and in connection with appellant's name. More than that, other phrases, such as the phrase "Mothers-to-be," are used by both appellant and appellees. Under these circumstances, we do not see how it can be said that there is no danger of confusion from the combination of the name and the other factors. The language of the court in the case of *Barnes v. Cahill*, 56 Cal App. 2d 780, at 783, 784; 143 P. 2d 433, is directly in point:

" . . . Defendant's mat was entitled 'This Week in Hollywood' while that of plaintiffs bore the title 'Hollywood Today,' but undoubtedly the word 'Hollywood' is the important part of each. An entire identity in the wording of a defendant's packages, wrappers, labels and titles with those of a plaintiff is not necessary to bring this rule of law into play. See *Modesto Creamery v. Stanislaus etc. Co.* (1914), 168 Cal. 289, 294 (142 P. 845). The trial court found, in the case at bar, that the use by defendant of the title 'This Week in Hollywood' would not tend to deceive or mislead plaintiffs' customers. Plaintiffs contend that this finding is not supported by the evidence. We need not so hold because a reversal is necessary for other reasons. At least, a finding the other way would have been well supported."

It is surely true that "Lane" is a prominent part of both the names in our case. In point of fact, the resemblances of the names, taken in context, in *Barnes v. Cahill*, *supra*, were far less than they are in this case.

Appellees say very little about the effect of the combination of the word "Maternity," the phrase "Mothers-to-be," and the similarity of script. As nearly as we can

make out (though the matter is discussed only in connection with the preliminary injunction), appellees' basis for ignoring these factors is that the word "Maternity," the phrase "Mothers-to-be," and the phrase "Expectant Mother" are not capable of exclusive appropriation, and are within the public domain.

However, in *Modesto Creamery v. Stanislaus etc. Co.* (1914), 168 Cal. 289, 142 Pac. 845, and *Banzhaf v. Chase*, 150 Cal. 180, 88 Pac. 704, the Supreme Court of California held squarely that the use of words or phrases which were not capable of exclusive appropriation, and were in the public domain, with the intention of causing confusion and deception, could be enjoined. Such intention is alleged in this case, and the fact that these words and phrases were in the public domain is therefore wholly irrelevant. That this factor was relied upon by the lower court, in denying appellant the right of a trial, is merely another reason why the judgment should be reversed.

(d) Fraud, Apart From California Law, Is Well Recognized as a Major Factor in Authorizing an Action for Unfair Competition.

In this state fraud has been made the touchstone in most unfair competition actions. The formulation of the rule may differ slightly, but the rule is the same generally. The intent on the part of the defendant (obviously a question of fact to be proved upon a trial) is everywhere recognized as a major issue in cases of this sort.

Thus, in the *Restatement of Torts*, Section 729, Comment *f*, it is said:

“Intent of actor. As stated in section 717, one may infringe another’s trade-mark or trade name by adopting a confusingly similar designation whether he does so innocently or for the purpose of deceiving prospective purchasers. But his knowledge or purpose is an important factor in determining whether or not his designation is confusingly similar. If he adopts the designation in ignorance of the other’s trade-mark or trade name, the similarity is determined on the basis of other factors. *But if he adopts his designation with the intent of deriving benefit from the reputation of the trade-mark or trade name, his intent may be sufficient to justify the inference that there is confusing similarity. Since he was and is intimately concerned with the probable reaction in the market, his judgment manifested prior to the controversy, is highly persuasive.* His denial that his conduct is likely to achieve the result intended by him will ordinarily carry little weight. While the actor’s intention is thus a factor in determining the likelihood of confusion, the degree of similarity in appearance, pronunciation or suggestion (see Comments *b* to *e*) is a factor in determining the actor’s intention when that is in issue.” (Emphasis added.)

The very similar language in Judge Hand’s opinion in *My-T Fine Corporation v. Samuels* (C. C. A. 2), 69 F. 2d 76, at 77, is quoted at page 23 of appellant’s opening brief.

III.

A Cause of Action Is Stated for Infringement of Trade Name as Well as Unfair Competition.

At pages 30 through 36 of appellant's opening brief, we collected authorities indicating that the complaint stated a cause of action for trademark infringement. Appellees have had nothing to say about these authorities save to state that the problem of trademark infringement is the same as that of unfair competition. But the trademark question is governed by federal law, which is that summary disposition of this sort of case is not proper.

Avrick v. Rockmont Envelope Co. (C. C. A. 10th),
155 F. 2d 568.

IV.

The Trial by Affidavit Was Improper.

- (a) The Motion to Dismiss Was Treated by the Trial Court as Authorizing Trial by Affidavit.

Appellees have suggested (Appellees' Br. p. 32) that only the sufficiency of the complaint, or the complaint plus *our* affidavits, was considered on the motion to dismiss. But the judgment of dismissal [Tr. 50] reads as follows:

"The cause came on regularly to be heard upon defendants' motion that the same be dismissed on the ground that the complaint filed herein failed to state a claim against defendants upon which relief can be granted. *The Court, having duly heard and considered the affidavits, proofs, papers and arguments of the parties respectively, granted the motion.*" (Emphasis added.)

This seems conclusive to us.

It has been suggested that the record shows no objection at the trial to the consideration of the affidavits. But it has never been the rule that argument of counsel must be made a part of the record upon an appeal. It is not contended that there was any stipulation submitting the motion to dismiss on affidavits. Unless there is affirmative evidence of waiver, it is our understanding that any legal argument properly applicable may be made on an appeal from a judgment dismissing a complaint for failure to state a claim.

(b) It Is Error to Consider Affidavits Upon a Motion to Dismiss On the Merits.

We have relied on *Polk Co. v. Glover*, 305 U. S. 5; 59 S. Ct. 15, 83 L. Ed. 6; and *Land v. Dollar*, 330 U. S. 731; 67 S. Ct. 1009; both of which explicitly state that affidavits may not be considered upon a motion to dismiss on the merits. Counsel makes as a point that *Land v. Dollar*, *supra*, also states that affidavits may be considered on a motion raising a jurisdictional question. Counsel, however, omits to point to any such question involved in this case, and we know of none.

Counsel distinguishes as *dicta* the statement in *Land v. Dollar*, *supra*, that “. . . the facts set forth in the complaint are assumed to be true and affidavits . . . may not be considered,” and objects that the statement appears in a footnote.

The statement is not *dicta*. In that case the District Court had before it a motion to dismiss and an application for injunction supported and opposed by affidavits. The motion to dismiss was granted. On review, the Supreme Court had before it and considered the question whether

the affidavits should be considered in support of the judgment of dismissal. It held that they could not, and the footnote statement directly supports the ruling. We do not see that the ruling is any the less binding, because the reasons are stated in a footnote.

Counsel seek to escape *Polk Co. v. Glover, supra*, by arguing that it was decided under the old equity rules, which allowed a motion to dismiss for “defense in point of law arising upon the face of the bill,” whereas the present rule (12b) allows a motion upon various defenses of law and fact including “*failure to state a claim.*” If that distinction is to have merit as permitting the use of affidavits, it must be true that whether plaintiff *states* a claim is determined by the *statements* in defendant’s affidavits. Defendant’s affidavit does not shed light on whether plaintiff has *stated* a claim: all it can do is indicate that defendant does not think that plaintiff *has* a claim—a very different thing. *Polk Co. v. Glover* was followed by the Supreme Court in *Land v. Dollar, supra* (also in *Cohen v. U. S.* (C. C. A. 8th), 129 F. 2d 733; *Galbreath v. Metropolitan Trust Co.* (C. C. A. 10th), 134 F. 2d 569; *Refoule v. Ellis* (N. D., Ga.), 74 F. Supp. 336; among other cases). We think it must be concluded that it is still good law.

In view of the existence of these two square Supreme Court decisions, we hesitate even to mention the accumulation of cases in the circuit courts of appeals, cited by appellees to the contrary. But they are harmless to us. All of them are cases where some fact of a jurisdictional nature, or of a preliminary nature, was established by uncontested affidavits. None of them permits a district

court to weigh conflicting affidavits, and to decide the merits of a case without trial. At the most, they permit a district court to do on motion for dismissal what may be done on motion for summary judgment; and, of course, the appearance of a contested issue of fact precludes summary judgment. (*Sartor v. Arkansas Natural Gas Corp.*, 321 U. S. 620, 64 S. Ct. 724; *Sarnoff v. Ciaglia* (C. C. A. 3d), 165 F. 2d 167.)

Counsel suggests, on the strength of a rule not in effect when the cause was heard, that the motion should be treated as a motion for summary judgment. But, since the affidavits were conflicting, summary judgment could not be granted. The existence of the procedure for summary judgment does not reinstate the equity practice of medieval England, whereby all testimony was always taken by affidavit or deposition.

V.

The Matter of the Preliminary Injunction.

We were perhaps over lengthy in dealing with the preliminary injunction phase of the case, for our argument does not seem to have been followed by counsel. We assert as to it: (1) that the granting of a motion to dismiss necessarily includes denial of a preliminary injunction; (2) that therefore, the purported separate ruling on the availability of preliminary injunction was a mere refusal of that which could not be given,—in itself a nullity. Or, to put the matter differently, the court in deciding that it must dismiss, must have decided that it had no discretion to grant the preliminary injunction, and cannot therefore have exercised discretion in refusing it. If we are correct in urging error in the dismissal, we

believe that, since the ruling on the injunction was necessarily included in the dismissal, it should be reversed with it, so that the trial court may exercise its discretion in the correct legal light.

Conclusion.

By way of conclusion, we do not believe we can do better than again quote the words of the Tenth Circuit Court in *Avrick v. Rockmont Envelope Co.*, 155 F. 2d 568 at p. 573, as follows:

“While from a comparison of the two specimens side by side we think there is little likelihood that the ordinary purchaser, while exercising due care and caution, would be misled and deceived into accepting ‘Sky Mail’ as and for ‘Sky-Rite,’ we doubt the propriety of summarily deciding that question as a matter of law on this record. An expeditious disposition of cases is a cardinal virtue of the administration of justice, but it is not more important than one’s fundamental right to his full day in court. In cases of this kind where no single factor controls the equation, and the court is necessarily required to resolve the question of alleged intent in arriving at its judgment, we are of the opinion that justice can best be served by a trial of the question on its merits.”

Respectfully submitted,

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